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SIPDIS

DEPARTMENT FOR EUR/ERA:MBEH, OES/EGC:DNELSON,
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SUBJECT: PORTUGAL ON EU BIOFUELS SUSTAINABILITY

REF: SECSTATE 123492

Classified By: Gary B. Applegarth, Pol-Econ Officer, Embassy
Lisbon Reasons 1.4 (b) and (d).

¶1. (C) Luis Duarte Silva of Portugal's Directorate General of Energy and Geology (Ministry of Economy) said Portugal understands reftel demarche points but must continue to work within the EU process regarding biofuels sustainability. Silva acknowledged Portuguese reservations concerning the EU proposals but said France, Germany, and other major rapeseed producers are the drivers for EU biofuels policy and in the end Portugal would go along with the EU consensus.

¶2. (C) Silva also said Portugal continues to work toward its stated goal of 10 percent biofuels inclusion in transportation fuels by 2010 but "I have no idea how we will achieve it." Knowing the 10 percent goal was problematic, Silva said experts had tried but failed to moderate GOP energy policy at the time the goals were being developed. Biodiesel, the focus of Portuguese biofuels efforts due to the prevalence of diesel automotive transport, is marginally profitable with the benefit of 75 percent tax exemption, but not profitable enough to generate sufficient production to meet the 2010 goal. Silva opined Portugal would have to mandate inclusion of biofuels within petrol and diesel, a step recently taken by Spain, in order to achieve the 10 percent goal by 2010.

¶3. (C) Comment: The GOP frequently boasts about the achievements of its ambitious renewable energy programs, and we expect it to continue to do so. Mandatory biofuels levels have been discussed by the press in recent weeks, and we expect legislation will be enacted if that is what it takes to keep the program on track. However, as biofuels are not a major pillar of the Portuguese energy program, it is doubtful the GOP will exert itself regarding sustainability standards.

End comment.
STEPHENSON